

## **EXHIBIT 1**

### **INTRODUCTION**

Respondent K. Hovnanian Forecast Homes is a home building and selling business domiciled in Ontario, California.

In 2002, during the first semi-annual campaign reporting period of January 1, 2002 through June 30, 2002, Respondent made \$10,121 in political contributions, and thereby qualified as a “major donor committee” under the Political Reform Act (the “Act”).<sup>1</sup> As such, Respondent was required to comply with specified campaign reporting provisions of the Act.

As a major donor committee, Respondent was required by the Act to file late contribution reports disclosing its late contributions within 24 hours of making them. Furthermore, Respondent was also required to file a semi-annual campaign statement commonly known as a “major donor statement,” disclosing its contributions during the periods January 1 through June 30, 2002, and July 1, 2002 through December 31, 2002. Finally, as Respondent’s contribution activity exceeded \$50,000 for the calendar year, Respondent was also obligated to file all required campaign statements online or electronically with the Secretary of State after the \$50,000 threshold amount was met.

In 2003, during the first semi-annual campaign reporting period of January 1, 2003 through June 30, 2003, Respondent made \$27,791 in political contributions, and thereby qualified as a “major donor committee” under the Act. As such, Respondent was again required to comply with specified campaign reporting provisions of the Act, and was required to file a semi-annual campaign statement, disclosing its contributions during the period January 1 through June 30, 2003.

In this case, Respondent made two late contributions prior to the March 5, 2002 primary election, which it failed to disclose in properly filed late contribution reports, thereby committing two violations of the Act. Respondent also failed to timely file a semi-annual campaign statement, by the July 31, 2002 due date, for the reporting period January 1, 2002 through June 30, 2002, thereby committing an additional violation of the Act. Further, Respondent made two late contributions prior to the November 4, 2002 general election, which it failed to disclose in properly filed late contribution reports, thereby committing two additional violations of the Act. In addition, Respondent failed to timely file a semi-annual campaign statement for the reporting periods July 1, 2002 through December 31, 2002, and January 1, 2003 through June 30, 2003, thereby committing two additional violations of the Act. Finally, Respondent failed to file two late contribution reports and two semi-annual campaign statements

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<sup>1</sup> The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

electronically, thereby committing four additional violations of the Act.

For the purposes of this stipulation, Respondent's violations are stated as follows:

- COUNT 1: Respondent K. Hovnanian Forecast Homes failed to disclose a \$1,500 late contribution to the "Talbot for Council" committee in a properly filed late contribution report, by the February 22, 2002 due date, in violation of section 84203, subdivision (a).
- COUNT 2: Respondent K. Hovnanian Forecast Homes failed to disclose a \$5,000 late contribution to the "Governor Gray Davis Committee" in a properly filed late contribution report, by the March 1, 2002 due date, in violation of section 84203, subdivision (a).
- COUNT 3: Respondent K. Hovnanian Forecast Homes failed to timely file a semi-annual campaign statement, by the July 31, 2002 due date, for the reporting period January 1, 2002 through June 30, 2002, in violation of section 84200, subdivision (b).
- COUNT 4: Respondent K. Hovnanian Forecast Homes failed to disclose a \$74,000 late contribution to the "Builders for Propositions 46 & 47" committee in a properly filed late contribution report, by the October 30, 2002 due date, in violation of section 84203, subdivision (a).
- COUNT 5: Respondent K. Hovnanian Forecast Homes failed to disclose a \$74,000 late contribution to the "Builders for Propositions 46 & 47" committee in an electronically filed late contribution report, by the October 30, 2002 due date, in violation of section 84605, subdivision (a).
- COUNT 6: Respondent K. Hovnanian Forecast Homes failed to disclose a \$1,000 late contribution to the "Yes on Measure I & H" committee in a properly filed late contribution report, by the November 1, 2002 due date, in violation of section 84203, subdivision (a).
- COUNT 7: Respondent K. Hovnanian Forecast Homes failed to disclose a \$1,000 late contribution to the "Yes on Measure I & H" committee in an electronically filed late contribution report, by the November 1, 2002 due date, in violation of section 84605, subdivision (a).
- COUNT 8: Respondent K. Hovnanian Forecast Homes failed to timely file a semi-annual campaign statement, by the January 31, 2003 due date, for the reporting period July 1, 2002 through December 31, 2002, in violation of section 84200, subdivision (b).
- COUNT 9: Respondent K. Hovnanian Forecast Homes failed to electronically file a semi-annual campaign statement, by the January 31, 2003 due date, for the

reporting period July 1, 2002 through December 31, 2002, in violation of section 84605, subdivision (a).

COUNT 10: Respondent K. Hovnanian Forecast Homes failed to timely file a semi-annual campaign statement, by the July 31, 2003 due date, for the reporting period January 1, 2003 through July 31, 2003, in violation of section 84200, subdivision (b).

COUNT 11: Respondent K. Hovnanian Forecast Homes failed to electronically file a semi-annual campaign statement, by the July 31, 2003 due date, for the reporting period January 1, 2003 through July 31, 2003, in violation of section 84605, subdivision (a).

### **SUMMARY OF THE LAW**

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Section 82013, subdivision (c) includes within the definition of “committee” any person or combination of persons who directly or indirectly makes contributions totaling ten thousand dollars (\$10,000) or more in a calendar year to, or at the behest of, candidates or committees. This type of committee is commonly referred to as a “major donor” committee.

Under section 84203, subdivision (a), when a committee makes or receives a late contribution, the committee must disclose the contribution in a late contribution report that must be filed within 24 hours of making or receiving the contribution. Section 82036 defines a “late contribution” as a contribution aggregating \$1,000 or more that is made or received before an election, but after the closing date of the last pre-election statement. Under section 84200.7, subdivision (b)(2), for an election held in June or November of an even-numbered year, the late contribution period covers the last 16 days before the election. Under section 84200.8, subdivision (b), for an election not held in June or November of an even-numbered year, the late contribution period covers the last 16 days before the election.

Section 84200, subdivision (b) requires a major donor committee to file a semi-annual campaign statement for any reporting period in which the committee made campaign contributions. The first semi-annual campaign statement covers the reporting period January 1 to June 30, and must be filed by July 31. The second semi-annual campaign statement covers the reporting period July 1 to December 31, and must be filed by January 31 of the following year.

Section 84605, subdivision (a) requires, beginning July 1, 2000, that major donor committees that make contributions totaling fifty thousand dollars (\$50,000) or more in a calendar year must file all required campaign statements online or electronically with the Secretary of State after the \$50,000 threshold amount is met.

Section 84215, subdivision (a) requires all major donor committees supporting statewide measures to file the committee's campaign statements with the office of the Secretary of State, the Registrar-Recorder of Los Angeles County, and with the Registrar of Voters of the City and County of San Francisco.

## **SUMMARY OF THE FACTS**

During the first semi-annual campaign reporting period of January 1, 2002 through June 30, 2002, Respondent K. Hovnanian Forecast Homes made \$10,121 in political contributions, and thereby qualified under section 82013, subdivision (c) of the Act as a major donor committee.

### **COUNT 1**

#### **Failure to File a Late Contribution Report**

As a major donor committee, Respondent K. Hovnanian Forecast Homes had a duty to file late contribution reports, disclosing, within 24 hours, any late contributions that it made. The late contribution reporting period for the March 5, 2002 primary election was February 17, 2002 through March 4, 2002.

On February 21, 2002, Respondent K. Hovnanian Forecast Homes made a contribution of \$1,500 to the "Talbot for Council" committee. As the contribution was made during the late contribution reporting period prior to the March 5, 2002 primary election, Respondent was required to disclose the contribution in a late contribution report filed by February 22, 2002. Respondent failed to do so.

By failing to file a late contribution report by February 22, 2002, disclosing a \$1,500 late contribution to the "Talbot for Council" committee, Respondent committed a violation of section 84203, subdivision (a).

### **COUNT 2**

#### **Failure to File a Late Contribution Report**

As a major donor committee, Respondent K. Hovnanian Forecast Homes had a duty to file late contribution reports, disclosing, within 24 hours, any late contributions that it made. The late contribution reporting period for the March 5, 2002 primary election was February 17, 2002 through March 4, 2002.

On February 28, 2002, Respondent K. Hovnanian Forecast Homes made a contribution of \$5,000 to the “Governor Gray Davis Committee.” As the contribution was made during the late contribution reporting period prior to the March 5, 2002 primary election, Respondent was required to disclose the contribution in a late contribution report filed by March 1, 2002. Respondent failed to do so.

By failing to file a late contribution report by March 1, 2002, disclosing a \$5,000 late contribution to the “Governor Gray Davis Committee,” Respondent committed a violation of section 84203, subdivision (a).

### COUNT 3

#### **Failure to File a Semi-Annual Campaign Statement**

Respondent K. Hovnanian Forecast Homes had a duty to file a semi-annual campaign statement by July 31, 2002, for the reporting period January 1, 2002 through June 30, 2002. Respondent failed to file a semi-annual campaign statement, by July 31, 2002.

During the reporting period January 1, 2002 through June 30, 2002, Respondent made \$10,121 in political contributions, which it failed to disclose in a timely filed semi-annual campaign statement. By failing to timely file a semi-annual campaign statement disclosing the contributions made, as set forth above, Respondent committed a violation of section 84200, subdivision (b).

### COUNT 4

#### **Failure to File a Late Contribution Report**

As a major donor committee, Respondent K. Hovnanian Forecast Homes had a duty to file late contribution reports, disclosing, within 24 hours, any late contributions that it made. The late contribution reporting period for the November 5, 2002 general election was October 20, 2002 through November 4, 2002.

On October 29, 2002, Respondent K. Hovnanian Forecast Homes made a contribution of \$74,000 to the “Builders for Propositions 46 & 47” committee. As the contribution was made during the late contribution reporting period prior to the November 5, 2002 general election, Respondent was required to disclose the contribution in a late contribution report filed by October 30, 2002. Respondent failed to do so.

By failing to file a late contribution report by October 30, 2002, disclosing a \$74,000 contribution to the “Builders for Propositions 46 & 47” committee, Respondent committed a violation of section 84203, subdivision (a).

### COUNT 5

### **Failure to Disclose a Late Contribution Electronically**

As a major donor committee which made contributions of \$50,000 or more in a calendar year, Respondent K. Hovnanian Forecast Homes had a duty to file all of its required campaign statements online or electronically with the Secretary of State after the \$50,000 threshold amount was met.

On October 29, 2002, Respondent K. Hovnanian Forecast Homes made a late contribution \$74,000 to the “Builders for Propositions 46 & 47” committee, and failed to electronically file a late contribution report disclosing the \$74,000 late contribution by the October 30, 2002 due date.

By failing to disclose a late contribution in an electronically filed late contribution report by October 30, 2002 with the Office of the Secretary of State, as set forth above, Respondent committed a violation of section 84605, subdivision (a).

### **COUNT 6**

### **Failure to File a Late Contribution Report**

As a major donor committee, Respondent K. Hovnanian Forecast Homes had a duty to file late contribution reports, disclosing, within 24 hours, any late contributions that it made. The late contribution reporting period for the November 5, 2002 general election was October 20, 2002 through November 4, 2002.

On October 31, 2002, Respondent K. Hovnanian Forecast Homes made a contribution of \$1,000 to the “Yes on Measure I & H” committee. As the contribution was made during the late contribution reporting period prior to the November 5, 2002 general election, Respondent was required to disclose the contribution in a late contribution report filed by November 1, 2002. Respondent failed to do so.

By failing to file a late contribution report by November 1, 2002, disclosing a \$1,000 contribution to the “Yes on Measure I & H” committee, Respondent committed a violation of section 84203, subdivision (a).

### **COUNT 7**

### **Failure to Disclose a Late Contribution Electronically**

As a major donor committee which made contributions of \$50,000 or more in a calendar year, Respondent K. Hovnanian Forecast Homes had a duty to file all of its required campaign statements online or electronically with the Secretary of State after the \$50,000 threshold amount was met.

On October 31, 2002, Respondent K. Hovnanian Forecast Homes made a late contribution of \$1,000 to the “Yes on Measure I & H” committee, and failed to electronically file

a late contribution report disclosing the \$1,000 late contribution by the November 1, 2002 due date.

By failing to disclose a late contribution in an electronically filed late contribution report by November 1, 2002 with the Office of the Secretary of State, as set forth above, Respondent committed a violation of section 84605, subdivision (a).

#### COUNT 8

##### **Failure to File a Semi-Annual Campaign Statement**

Respondent K. Hovnanian Forecast Homes had a duty to file a semi-annual campaign statement by January 31, 2003, for the reporting period July 1, 2002 through December 31, 2002. Respondent failed to file a semi-annual campaign statement, by January 31, 2003.

During the reporting period July 1, 2002 through December 31, 2002, Respondent made \$89,499 in political contributions, which it failed to disclose in a timely filed semi-annual campaign statement. By failing to timely file a semi-annual campaign statement disclosing the contributions made, as set forth above, Respondent committed a violation of section 84200, subdivision (b).

#### COUNT 9

##### **Failure to File a Semi-Annual Campaign Statement Electronically**

Respondent K. Hovnanian Forecast Homes had a duty to file a semi-annual campaign statement electronically by January 31, 2003, for the reporting period July 1, 2002 through December 31, 2002. Respondent failed to electronically file a semi-annual campaign statement, by January 31, 2003, in violation of section 84605, subdivision (a).

#### COUNT 10

##### **Failure to File a Semi-Annual Campaign Statement**

Respondent K. Hovnanian Forecast Homes had a duty to file a semi-annual campaign statement by July 31, 2003, for the reporting period January 1, 2003 through June 30, 2003. Respondent failed to file a semi-annual campaign statement, by July 31, 2003.

During the reporting period January 1, 2003 through June 30, 2003, Respondent made \$27,791 in political contributions, which it failed to disclose in a timely filed semi-annual campaign statement. By failing to timely file a semi-annual campaign statement disclosing the contributions made, as set forth above, Respondent committed a violation of section 84200, subdivision (b).

#### COUNT 11

## **Failure to File a Semi-Annual Campaign Statement Electronically**

Respondent K. Hovnanian Forecast Homes had a duty to file a semi-annual campaign statement electronically by July 31, 2003, for the reporting period January 1, 2003 through June 30, 2002. Respondent failed to electronically file a semi-annual campaign statement, by July 31, 2003, in violation of section 84605, subdivision (a).

### **CONCLUSION**

This matter consists of eleven (11) counts, which carry a maximum possible administrative penalty of Fifty-five Thousand Dollars (\$55,000).

The violations in Counts 1, 2, 4, 5, 6, 7 and 8 were removed from the Enforcement Division's Streamlined Late Contribution Enforcement Program, due to Respondent's additional reporting violations and the large dollar amount of late contributions that was not disclosed, both in paper and electronically.

The late contribution violations in Counts 1, 2, 6, 7, and 8 do not appear to be especially aggravated and, therefore, imposition of a penalty at the lower end of the administrative penalty is appropriate.

The late contribution violations in Counts 4 and 5 are especially aggravated, due to the large dollar amount of the late contribution and the fact that it was not disclosed either in paper or electronically. Imposition of the maximum administrative penalty for each of these two violations is therefore appropriate.

The violations in Counts 3, 9, 10 and 11 were removed from the Enforcement Division's Streamlined Major Donor Enforcement Program, due to the total amount of the contributions that were not reported. The appropriate administrative penalty for matters removed from the streamlined program is determined on a case-by-case basis. In light of these factors, a penalty of \$3,000 is appropriate for each semi-annual campaign statement violation.

In this case, Respondent's violations are aggravated, as the undisclosed contributions, both on paper and electronically, totaled over \$100,000. However, Respondent was a first-time major donor, and has attributed its violation to a lack of understanding of its filing requirements.

The facts of this case, including the aggravating and mitigating factors discussed above, therefore justify imposition of the agreed upon penalty of Twenty-six Thousand Dollars (\$26,000.00).